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STATE OF MAINE

**DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES449**

**Bureau of the Budget**

State House Station #58

Augusta, Maine 04333

**Date:** September 30, 2010

**To:** Honorable John Elias Baldacci, Governor  
Honorable Elizabeth H. Mitchell, President of the Senate  
Honorable Hannah M. Pingree, Speaker of the House  
Honorable Bill Diamond, Senate Chair  
Honorable Emily Ann Cain, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

**From:** Dawna J. Lopatosky, Acting State Budget Officer

**Subject:** Report on the forecast of revenues and expenditures for the General Fund and the Highway Fund for the 2010-2011 biennium and the 2012-2013 biennium in accordance with Title 5 § 1665.

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The Bureau of the Budget is presenting its budget forecast for the General Fund and the Highway Fund for the 2010-2011 biennium and the 2012-2013 biennium in accordance with Title 5 §1665. This effort was initiated and passed into law by the 117<sup>th</sup> Legislature as fulfillment of one of the recommendations of the Special Commission on Governmental Restructuring to provide a platform for long term financial planning.

This budget forecast is based on the current structure of state revenues and expenditures for both the General Fund and the Highway Fund as required by Title 5 § 1665, subsection 7. This budget forecast should provide the most consistent view of revenue and expenditure trends over the long term as a basis for financial planning and decision making.

cc: Ellen Schneiter, Commissioner, Department of Administrative and Financial Services  
Grant Pennoyer, Director, Office of Fiscal & Program Review



# STATE OF MAINE REVENUE AND EXPENDITURE PROJECTION

## GENERAL FUND AND HIGHWAY FUND

### FISCAL YEARS 2010 - 2013

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# **MAINE BUDGET FORECAST 2010-2011 BIENNIUM AND 2012-2013 BIENNIUM**

## **I. INTRODUCTION**

Title 5, §§ 1664 and 1665 require a four year budget projection for the General Fund and the Highway Fund. This initiative is in fulfillment of the recommendations of the Special Commission on Governmental Restructuring for the purpose of providing a basis for long term budget planning for the State's two undedicated funds. This budget approach also provides a means of comparing the structure of current expenditures and current revenues projected forward on a consistent trend basis for both funds. It shows the capacity of the State's General Fund and Highway Fund resources to support the current level of State government services projected forward.

This report is being issued in accordance with Title 5 § 1665, subsection 7 that requires a four year budget forecast for the General Fund and the Highway Fund by September 30<sup>th</sup> of each even-numbered year. As such, this report provides a four-year budget forecast for the 2010-2011 biennium and the 2012-2013 biennium. The expected outcome is a reasonable and consistent portrayal of the General Fund and the Highway Fund budgets for FY 12 and FY 13 based on currently available financial and program information. This information, to be useful, needs to include the General Fund appropriations and Highway Fund allocations approved through the Second Regular Session of the 124<sup>th</sup> Legislature.

The projected revenues and expenditures for the General Fund and the Highway Fund are based on current law and current program trends, as required by statute. With respect to revenues, the General Fund and Highway Fund represent the March 2010 projections of the Revenue Forecasting Committee, as required by Public Law 1997, chapter 157 and reflects all actions of the Second Regular Session of the 124<sup>th</sup> Legislature.

It is important to stress that this forecast must be developed using current law as its basis. Therefore the statute obligating the state to pay 55% of the cost of K-12 education is the basis for expenditures used in this forecast although the state's fiscal situation renders attainment of that level unlikely, with a proposal to delay full 55% funding probable. It is common for subsequent budget proposals to change these underlying statutes, resulting in either one-time or ongoing savings that are necessary to maintain a balanced budget as constitutionally required. For example, a budget initiative that would hold General Purpose Aid to Education at its current state-funded level would immediately reduce the estimated structural gap of \$1.17 billion by more than \$400 million, or roughly a third. There are many other, similar examples. The reader is advised to bear this in mind when assessing the *estimated* structural gap and the potential for closing it.

In order to provide the most accurate expenditure estimate from currently available budget information, the projection uses the FY 11 legislatively approved appropriations and allocations from the Second Regular Session 124<sup>th</sup> Legislature. These FY 12-13 estimates are further adjusted for the effect of one-time and phased-in actions expected to occur in FY 11. More detailed projections on a department or program basis are made where appropriate to reflect specific trends in those areas.

Salaries and wages for the 2012-2013 biennium are based on merit growth from the 2010-2011 biennium. The projection for Personal Services does not anticipate future salary adjustments beyond the 2010-2011 biennium as a result of collective bargaining.

## **II. GENERAL FUND**

### **A. BUDGET STATUS FY 10-13**

<b>GENERAL FUND STATUS</b>						
	FY 10-11 BIENNIUM			FY 12-13 BIENNIUM		
	FY 10	FY 11	TOTAL	FY 12	FY 13	TOTAL
BALANCE	26,184,458		26,184,458	1,088,836		1,088,836
ADJUSTMENTS	201,757,555	26,364,060	228,121,615			
REVENUE	2,693,005,389	2,773,914,960	5,466,920,349	2,782,786,538	2,900,922,633	5,683,709,171
TOTAL RESOURCES	2,920,947,402	2,800,279,020	5,721,226,422	2,783,875,374	2,900,922,633	5,684,798,007
ADJUSTMENTS	71,370,325	94,968,515	166,338,840			
APPROPRIATIONS	2,849,227,923	2,704,570,823	5,553,798,746	3,389,720,109	3,463,809,330	6,853,529,439
PROJECTED BALANCE (SHORTFALL)	349,154	739,682	1,088,836	(605,844,735)	(562,886,697)	(1,168,731,432)

The General Fund adjusted fund balance for FY 10 was \$349,154 and is projected to be \$1,088,836 at the end of FY 11, including adjustments enacted through the Second Regular Session of the 124th Legislature.

The Revenue Forecasting Committee (RFC) in its December 2009 report reprojected revenues downward by (\$311.6) million for the 2012-2013 biennium. Then in March 2010 the RFC increased its revenue projections by \$9.4 million resulting in a net overall revenue decrease of (\$302.2) million for the 2012-2013 biennium. This revenue decrease was primarily in the Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Fines, Forfeits and Penalties lines. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 124<sup>th</sup> Legislature.

Current projections for the 2012-2013 biennium include General Fund revenues of \$5,683,709,171. Projected General Fund appropriations for the biennium are \$6,853,529,439 which results in a structural budget gap for the General Fund of \$1,168,731,432.

## B. REVENUE FORECAST FY 10-13

### GENERAL FUND REVENUE FORECAST

SOURCE	FY 10-11 BUDGET				FY 12-13 FORECAST				
	FY 10	FY 11	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 12	YR. TO YR. % CHANGE	FY 13	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Sales and Use Tax	883,839,994	904,850,262	2.38%	1,788,690,256	945,475,809	4.49%	992,958,416	5.02%	1,938,434,225
Service Provider Tax	55,590,852	57,814,486	4.00%	113,405,338	59,555,680	3.01%	61,840,807	3.84%	121,396,487
Individual Income Tax	1,299,630,000	1,326,790,000	2.09%	2,626,420,000	1,347,525,730	1.56%	1,402,748,648	4.10%	2,750,274,378
Corporate Income Tax	147,718,716	158,786,702	7.49%	306,505,418	171,138,480	7.78%	184,967,914	8.08%	356,106,394
Cigarette & Tobacco Tax	140,139,902	137,744,579	-1.71%	277,884,481	134,901,044	-2.06%	132,580,387	-1.72%	267,481,431
Insurance Company Tax	71,985,000	71,990,000	0.01%	143,975,000	71,990,000		71,990,000		143,980,000
Inheritance & Estate Tax	29,593,253	31,739,004	7.25%	61,332,257	36,478,327	14.93%	41,232,832	13.03%	77,711,159
Fines, Forfeits and Penalties	32,853,721	30,816,261	-6.20%	63,669,982	30,831,649	0.05%	30,850,149	0.06%	61,681,798
Income from Investments	103,246	275,045	166.40%	378,291	275,045		275,045		550,090
Transfer from Lottery	49,843,299	52,034,250	4.40%	101,877,549	52,034,250		52,034,250		104,068,500
Trans for Tax Relief Progs	(112,559,862)	(112,087,945)	-0.42%	(224,647,807)	(126,984,977)	13.29%	(124,182,298)	-2.21%	(251,167,275)
Trans. to Muni. Rev. Share	(95,899,642)	(89,213,027)	-6.97%	(185,112,669)	(128,498,164)	44.04%	(134,716,016)	4.84%	(263,214,180)
Other Taxes and Fees	148,808,830	148,117,322	-0.46%	296,926,152	141,949,911	-4.16%	142,316,409	0.26%	284,266,320
Other Revenues	41,358,080	54,258,021	31.19%	95,616,101	46,113,754	-15.01%	46,026,090	-0.19%	92,139,844
<b>TOTAL REVENUE</b>	<b>2,693,005,389</b>	<b>2,773,914,960</b>	<b>3.00%</b>	<b>5,466,920,349</b>	<b>2,782,786,538</b>	<b>0.32%</b>	<b>2,900,922,633</b>	<b>4.25%</b>	<b>5,683,709,171</b>

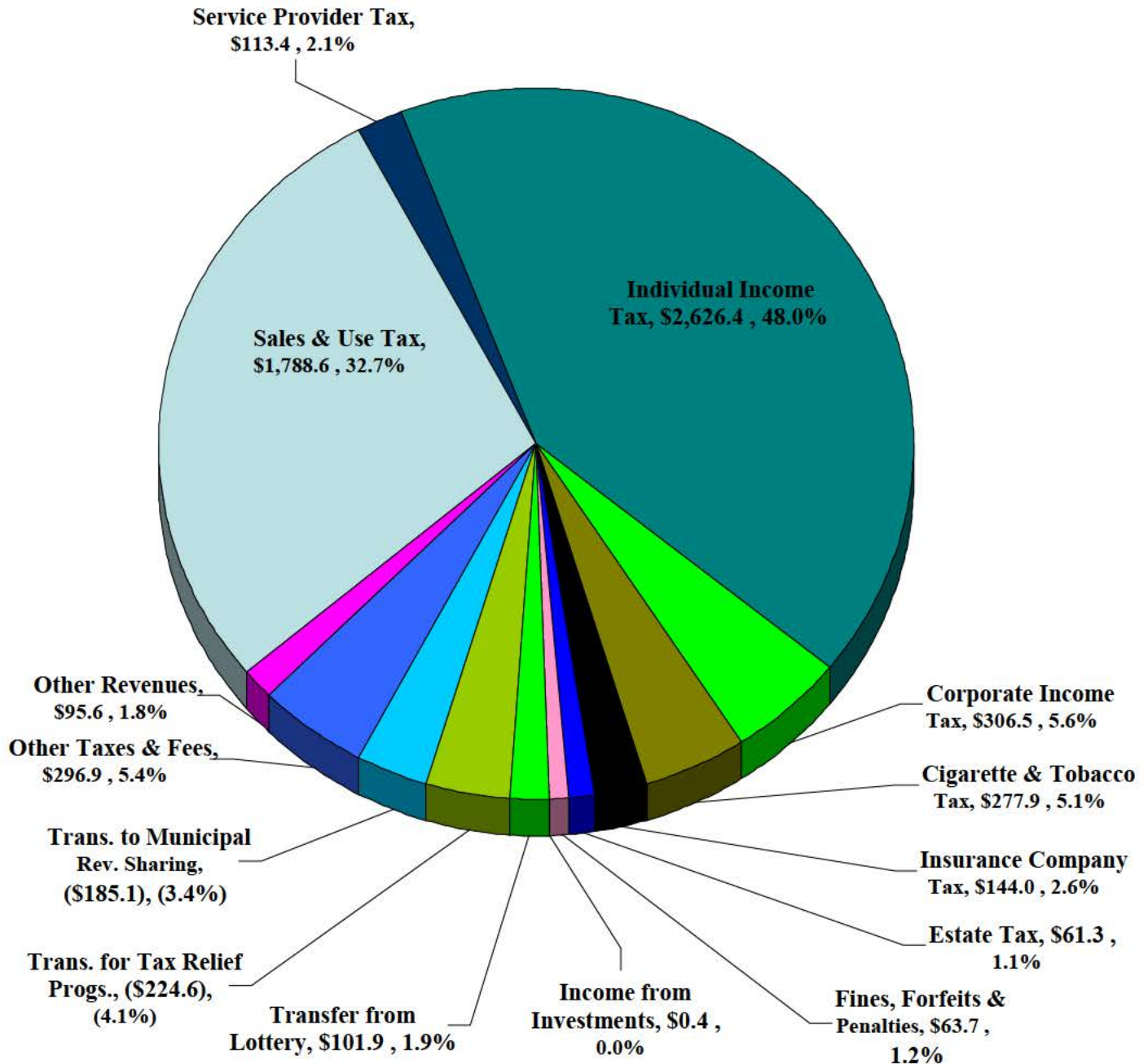


# FY 10 – 11

## General Fund Budgeted Revenues

### \$5,466.9

*Includes Municipal Revenue Sharing of \$185.1  
and Transfers for Tax Relief Programs of \$224.6*  
**Dollars in Millions**



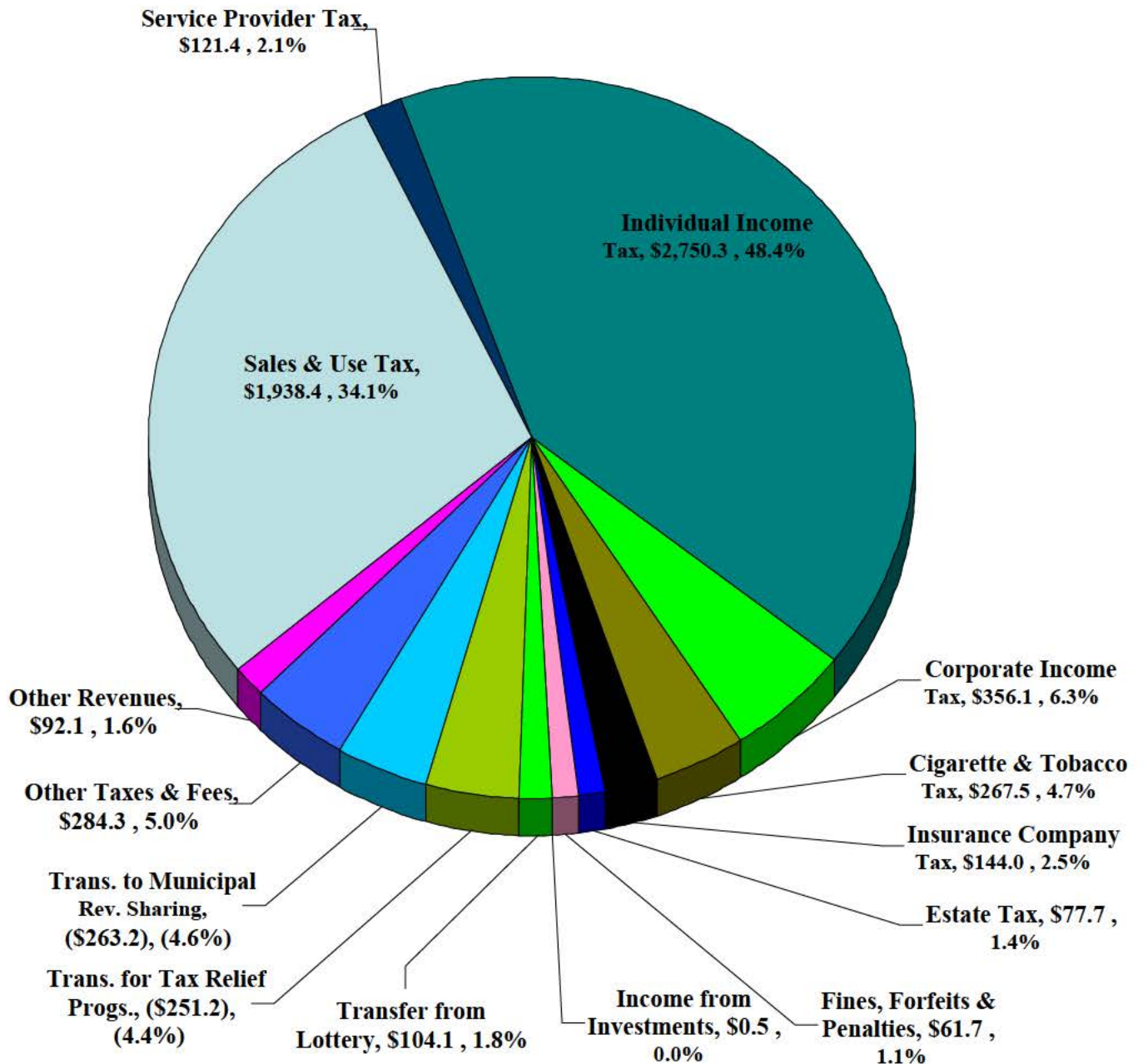


# FY 12 – 13

## General Fund Projected Revenues

### \$5,683.7

*Includes Municipal Revenue Sharing of \$263.2  
and Transfers for Tax Relief Programs of \$251.1*  
**Dollars in Millions**



## C. GENERAL FUND REVENUE FORECAST NARRATIVE

### SALES AND USE TAX

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
883,840	904,850	2.38%	1,788,690	945,476	4.49%	992,958	5.02%	1,938,434

The Sales and Use Tax forecast for FY 11, FY 12 and FY 13 include all actions of the Revenue Forecasting Committee through March 2010 and reflect all actions of the Second Regular Session of the 124th Legislature. Sales and Use Tax receipts are beginning to show some modest growth following the recession that ended in 2009. The weak recovery from the recession is resulting in slow growth in consumer spending. Consumer spending is forecasted to accelerate once labor market conditions improve in late 2011.

### SERVICE PROVIDER TAX

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
55,591	57,814	4.00%	113,405	59,556	3.01%	61,841	3.84%	121,396

The Legislature in Public Law 2003, chapter 673, Part V, reclassified various categories previously included in the Sales and Use Tax as the Service Provider Tax, effective in FY 05. This law reflects the re-categorization of the following services from the Sales and Use Tax to the Service Provider Tax: (a) extended cable television services; (b) fabrication services; (c) rental of video media and video equipment; (d) rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement; (e) telecommunication services; and (f) installation, maintenance or repair of telecommunications equipment. In addition, private non-medical institution services are included under the provisions of Public Law 2003, chapter 673, Part V. Revenue generated from the Service Provider Tax on private non-medical institution services are credited to the Medical Care Services Other Special Revenue Funds account in the Department of Health and Human Services. It is projected that the revenues to the General Fund from the Service Provider Tax will grow by approximately 4.0% per year through fiscal year 2013.

### INDIVIDUAL INCOME TAX

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
1,299,630	1,326,790	2.09%	2,626,420	1,347,526	1.56%	1,402,749	4.10%	2,750,274

The forecast for FY 11, FY 12 and FY 13 for the Individual Income Tax line include all actions of the Revenue Forecasting Committee through March 2010 and reflect all actions of the Second Regular Session of the 124th Legislature. The estimate for FY 11, FY 12 and FY 13 reflects the underlying economic forecast of the Consensus Economic Forecasting Commission with respect to personal income and wage and salary distribution. Maine's personal income is projected to grow at 3.0% for CY 11, 4% for CY 12 and 4.6% for CY 13 with wage and salary growth averaging 1.8% during the same three-year period. It is projected that revenue from the Income Tax line will grow by approximately 1.56% from FY 11 to FY 12 and increase by approximately 4.0% over the FY 12-13 biennium. Capital gains growth is not expected to return to historical growth rates until tax year 2012.

## CORPORATE INCOME TAX

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
147,719	158,787	7.49%	306,505	171,138	7.78%	184,968	8.08%	356,106

The forecast for FY 11, FY 12 and FY 13 for the Corporate Income Tax line include all actions of the Revenue Forecasting Committee through March 2010 and reflect all actions of the Second Regular Session of the 124th Legislature. Revenues from the Corporate Tax line for FY 11 are projected to be 7.5% above FY10 levels because of improvement in the economy. Corporate profits are forecasted to average 7.5% over the FY 2012-2013 biennium.

## CIGARETTE AND TOBACCO PRODUCTS TAX

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
140,140	137,745	-1.71%	277,884	134,901	-2.06%	132,580	-1.72%	267,481

The forecast for FY 11, FY 12 and FY 13 for the Cigarette and Tobacco Products Tax lines include all actions of the Revenue Forecasting Committee through March 2010 and reflect all actions of the Second Regular Session of the 124th Legislature. Cigarette tax revenue is expected to continue is long run decline of approximately -2% per year. The tobacco products tax is projected to grow by 1% to 2% per year.

## INSURANCE COMPANY TAX

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
71,985	71,990	0.01%	143,975	71,990	0.00%	71,990	0.00%	143,980

The forecast for FY 11, FY 12 and FY 13 for the Insurance Company Tax line include all actions of the Revenue Forecasting Committee through March 2010 and reflect all actions of the Second Regular Session of the 124th Legislature. Revenues from insurance companies are associated with the gross value of insurance policies issued. As business within the state grows, the amount of insurance coverage also expands. Although it would be expected that this revenue source would increase at a rate consistent with the overall growth of the economy, the emphasis on lower workers' compensation premium costs and consumer actions in response to rising premiums appears to be moderating the growth in this revenue source. As a consequence, the base level projection of the Revenue Forecasting Committee as of March 2010 assumes no growth during the next biennium.

## FINES, FORFEITS AND PENALTIES

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
32,854	30,816	-6.20%	63,670	30,832	0.05%	30,850	0.06%	61,682

The Revenue Forecasting Committee (RFC) effective with fiscal year 2009-10 established the new Fines, Forfeits and Penalties revenue category for reporting purposes. Revenues from fines, forfeits and penalties were previously recorded and classified as Other Revenue. Revenues from fines are derived primarily from collections undertaken by the Violations Bureau in the Judicial Department. A decline of -6.2% in revenues from this category is projected between fiscal year 2009-10 and 2010-11. A decline of approximately of 0.05% is projected for the 2012-2013 biennium.

## TRANSFER FOR TAX RELIEF PROGRAMS

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
(112,560)	(112,088)	-0.42%	(224,648)	(126,985)	13.29%	(124,182)	-2.21%	(251,167)

Beginning with fiscal year 2009-10 the Revenue Forecasting Committee (RFC) adopted the Transfer for Tax Relief category for its revenue report. This category groups the following three programs; Maine Residents' Property Tax program; Business Equipment Tax Reimbursement (BETR) and Business Equipment Tax Exemption (BETE) programs for revenue reporting purposes; forecasts for each of these three programs are presented below. One time adjustments to the BETR and Maine Resident Property Tax programs expire at the end of the FY10/11 biennium, causing a jump in the forecasted refunds in FY12.

## MAINE RESIDENTS PROPERTY TAX PROGRAM aka "Tax and Rent Refund" or "Circuit Breaker" Program

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
(40,500)	(43,500)	7.41%	(84,000)	(56,000)	28.74%	(57,700)	3.04%	-113,700

Taxpayer reimbursement under the Maine Residents' Property Tax Reimbursement (Tax and Rent Refund or "Circuit Breaker") program is accounted for as a deduction from the individual income tax line rather than expenditure from General Fund appropriations for that purpose. The program provides a maximum payment this year of \$1,600, based on the first \$3,000 of property taxes paid by a single-member household (\$4,000 for a multi-member household). The \$3,000/\$4,000 benefit base is indexed for inflation. Beginning with the 2010 program year, taxpayers with household income exceeding \$64,950 (\$86,600 for multi-member households) are ineligible. Renters are eligible for a benefit based on an assumption that 20% of rent constitutes property taxes. The filing period runs from August 1<sup>st</sup> to May 31<sup>st</sup>. The expiration of the 20% reduction in the refund amount in the FY12/13 biennium combined with the impact on the program of the reduced Homestead Exemption causes the significant jump in the cost of the program in FY12.

### **BUSINESS EQUIPMENT TAX REIMBURSEMENT (BETR)**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>(57,588)</b>	<b>(51,043)</b>	<b>-11.37%</b>	<b>(108,631)</b>	<b>(51,553)</b>	<b>1.00%</b>	<b>(46,283)</b>	<b>-10.22%</b>	<b>(97,836)</b>

### **BUSINESS EQUIPMENT TAX EXEMPTION (BETE)**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>(14,472)</b>	<b>(17,545)</b>	<b>21.23%</b>	<b>(32,017)</b>	<b>(19,432)</b>	<b>10.76%</b>	<b>(20,200)</b>	<b>3.95%</b>	<b>(39,632)</b>

Beginning with FY 06, taxpayer reimbursement under the Business Equipment Tax Reimbursement (BETR) program is accounted for as a deduction from the individual income tax line rather than expenditure from General Fund appropriations for that purpose. BETR reimbursement is 100% of the property taxes paid on eligible property, for the first 12 years, 75% in year 13, 70% in year 14 and so on until it reaches a minimum of 50% in years 18 and beyond. Generally, property first placed into service in Maine after April 1, 1995, but on or before April 1, 2007 is eligible. Only certain retail equipment first placed in service after April 1, 2007 will continue to be eligible for BETR reimbursement.

BETR reimbursement experience is affected by the new Business Equipment Tax Exemption (BETE) program. Non-retail property first placed into service after April 1, 2007 is eligible for the BETE program. Business property eligible for BETE is 100% exempt from the local property tax and the state will reimburse municipalities for a portion of the lost revenue. The percentage reimbursed to municipalities is 100% in the first year, dropping by 10% percentage points each year after until reaching minimum reimbursement rate of 50% in 2013 and later.

### **MUNICIPAL REVENUE SHARING**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>(95,900)</b>	<b>(89,213)</b>	<b>-6.97%</b>	<b>(185,113)</b>	<b>(128,498)</b>	<b>44.04%</b>	<b>(134,716)</b>	<b>4.84%</b>	<b>(263,214)</b>

The Sales and Use Tax, Individual Income Tax, Corporate Income Tax and Service Provider Tax lines are subject to Municipal Revenue Sharing in accordance with Title 30-A, § 5681 of the Maine Revised Statutes. That section of statute currently requires that an amount equal to 5% of the above referenced tax lines be transferred to the Local Government Fund (Municipal Revenue Sharing). Municipal Revenue Sharing is a calculation based on the forecasts of the four previously referenced tax revenue lines. The Legislature approved a change in the reimbursement rate from 5.1% to 5.0% effective July 1, 2009.

The projected decrease in Municipal Revenue Sharing between fiscal years 2009-10 and 2010-11 of -6.97% reflects a transfer from Municipal Revenue Sharing to the General Fund of \$9.8 million in FY 2011 over FY 2010. The 44.04 % projected increase between and FY 2011 and FY 2012 reflects the discontinuance of \$35.2 million in revenue sharing contributions to the General Fund and it also includes the projected increase in revenue sharing funds from the projected growth in the 4 major tax lines referenced above. Funds for revenue sharing are also distributed to the Disproportionate Tax Burden Fund which is used to provide additional support to municipalities experiencing a higher than average property tax burden. Effective with FY 2010, the Legislature approved a change to the distribution of funds for this program resulting in increased funding for the Disproportionate Tax Burden Fund.

## OTHER TAXES AND FEES

<b>FY 08 (000)</b>	<b>FY 09 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 10 (000)</b>	<b>YR % CHANGE</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
148,809	148,117	-0.46%	296,926	141,950	-4.16%	142,316	0.26%	284,266

Effective with fiscal year 2009-10, the Revenue Forecasting Committee (RFC) adopted this new revenue category for revenue reporting purposes. Revenues from taxes and fees were previously included under the Other Revenues category. Property Taxes - Unorganized Territory and Public Utilities Tax which were previously reported in their own category are now included in the Other Taxes and Fees category along with all the remaining taxes and fees. This forecast reflects a projected -4.19% reduction in revenues from taxes and fees in FY 2012 with a small projected increase of 0.26% for FY 2013.

## OTHER REVENUES

<b>FY 08 (000)</b>	<b>FY 09 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 10 (000)</b>	<b>YR % CHANGE</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
41,358	54,258	31.19%	95,616	46,114	-15.01%	46,026	-0.19%	92,140

Effective with fiscal year 2009-10, the Revenue Forecasting Committee (RFC) approved the reclassification of revenues for taxes and fees and for fines, forfeits and penalties previously reflected under Other Revenues being recorded in their own category for reporting purposes. This Other Revenues category includes all the other General Fund revenue sources collected by the various departments and agencies that are not otherwise classified in the categories listed on the General Fund Summary Table. The 31.19% increase between fiscal years 2010 and 2011 is primarily attributable to the reduction in the General Fund subsidy for milk. The projected decrease in other revenues between fiscal years 2011 and 2012 of -14.95% is primarily attributable to an increase in the General Fund subsidy for milk.



## D. EXPENDITURE FORECAST CHARTS FY 10-13

### GENERAL FUND EXPENDITURE FORECAST CHART

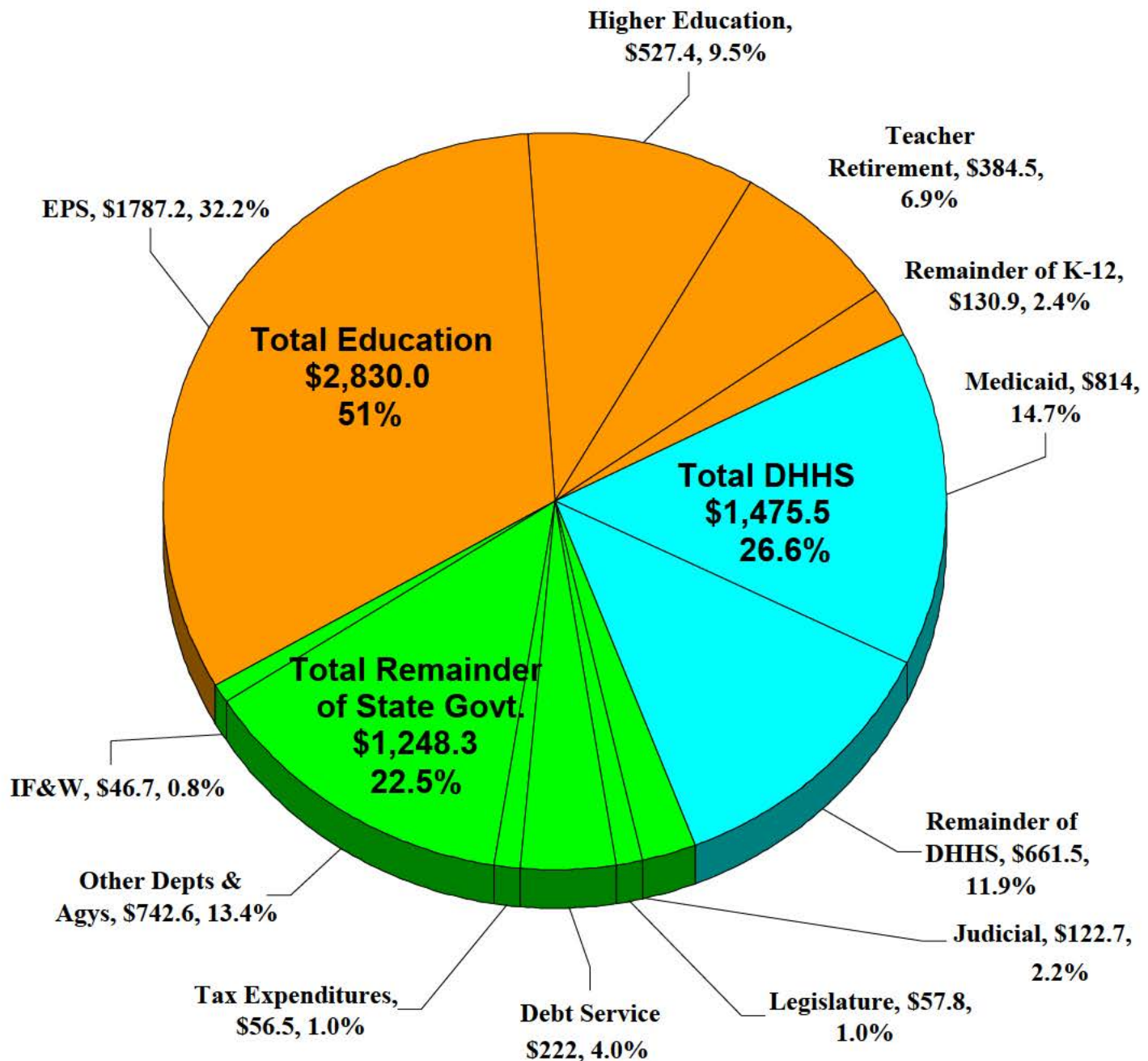
MAJOR PROGRAM CATEGORIES  POLICY AREA / AGENCY / PROGRAM	FY 10-11 BUDGET				FY 12-13 FORECAST				
	FY 10	FY 11	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 12	YR. TO YR. % CHANGE	FY 12	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Homestead Property Tax Exemption	28,469,065	16,157,593	-43.25%	44,626,658	23,600,000	46.06%	24,200,000	2.54%	47,800,000
Government Facilities Authority	19,345,063	19,094,010	-1.30%	38,439,073	19,745,063	3.41%	19,745,063		39,490,126
Debt Service - Treasury	89,738,976	93,827,820	4.56%	183,566,796	104,380,407	11.25%	103,904,748	-0.46%	208,285,155
Other Agencies And Programs	114,308,942	113,564,621	-0.65%	227,873,563	126,831,968	11.68%	135,232,708	6.62%	262,064,676
<b>Total Policy Area - Governmental Support &amp; Operations</b>	<b>251,862,046</b>	<b>242,644,044</b>	<b>-3.66%</b>	<b>494,506,090</b>	<b>274,557,438</b>	<b>13.15%</b>	<b>283,082,519</b>	<b>3.11%</b>	<b>557,639,957</b>
<b>Total Policy Area - Economic Development &amp; Work Force Training</b>	<b>35,707,478</b>	<b>35,167,014</b>	<b>-1.51%</b>	<b>70,874,492</b>	<b>36,059,887</b>	<b>2.54%</b>	<b>36,239,724</b>	<b>0.50%</b>	<b>72,299,611</b>
General Purpose Aid for Local Schools	909,108,342	878,082,987	-3.41%	1,787,191,329	1,094,600,868	24.66%	1,116,492,886	2.00%	2,211,093,754
Teacher Retirement/Retired Teachers' Health Insurance	206,576,120	216,529,249	4.82%	423,105,369	289,232,839	33.58%	303,666,403	4.99%	592,899,242
Child Development Services	15,989,482	14,898,739	-6.82%	30,888,221	20,613,391	38.36%	20,613,391		41,226,782
Other Agencies And Programs	280,623,235	285,924,696	1.89%	566,547,931	299,403,922	4.71%	310,559,372	3.73%	609,963,294
<b>Total Policy Area - Education</b>	<b>1,412,297,179</b>	<b>1,395,435,671</b>	<b>-1.19%</b>	<b>2,807,732,850</b>	<b>1,703,851,020</b>	<b>22.10%</b>	<b>1,751,332,052</b>	<b>2.79%</b>	<b>3,455,183,072</b>
Medical Care - Payments To Providers	243,547,515	149,020,905	-38.81%	392,568,420	336,984,434	126.13%	336,796,020	-0.06%	673,780,454
Nursing Facilities	43,001,134	42,072,304	-2.16%	85,073,438	77,239,440	83.59%	78,072,578	1.08%	155,312,018
Foster Care/Adoption Assistance	47,862,786	48,539,957	1.41%	96,402,743	51,630,752	6.37%	51,749,998	0.23%	103,380,750
Community Mental Health	31,374,627	30,413,784	-3.06%	61,788,411	31,047,176	2.08%	31,294,727	0.80%	62,341,903
Mental Health Medicaid	26,214,345	24,119,925	-7.99%	50,334,270	39,019,519	61.77%	39,359,568	0.87%	78,379,087
Community Developmental Services	26,396,084	25,590,572	-3.05%	51,986,656	26,758,511	4.56%	27,329,627	2.13%	54,088,138
Developmental Services - Medicaid	65,558,959	63,230,555	-3.55%	128,789,514	102,949,706	62.82%	103,884,570	0.91%	206,834,276
Mental Health Services - Children	16,794,412	17,050,876	1.53%	33,845,288	17,555,874	2.96%	17,706,289	0.86%	35,262,163
Mental Health Services - Child Medicaid	18,033,827	15,543,097	-13.81%	33,576,924	23,363,669	50.32%	23,543,646	0.77%	46,907,315
Other Agencies And Programs	276,802,782	264,834,561	-4.32%	541,637,343	291,573,427	10.10%	294,727,141	1.08%	586,300,568
<b>Total Policy Area - Health &amp; Human Services</b>	<b>795,586,471</b>	<b>680,416,536</b>	<b>-14.48%</b>	<b>1,476,003,007</b>	<b>998,122,508</b>	<b>46.69%</b>	<b>1,004,464,164</b>	<b>0.64%</b>	<b>2,002,586,672</b>
<b>Total Policy Area - Natural Resources Development &amp; Protection</b>	<b>68,419,220</b>	<b>66,538,601</b>	<b>-2.75%</b>	<b>134,957,821</b>	<b>73,482,897</b>	<b>10.44%</b>	<b>75,300,640</b>	<b>2.47%</b>	<b>148,783,537</b>
Corrections	150,165,289	144,155,247	-4.00%	294,320,536	157,803,353	9.47%	162,125,599	2.74%	319,928,952
Other Agencies And Programs	127,729,051	125,951,064	-1.39%	253,680,115	137,930,479	9.51%	143,196,221	3.82%	281,126,700
<b>Total Policy Area - Justice &amp; Protection</b>	<b>277,894,340</b>	<b>270,106,311</b>	<b>-2.80%</b>	<b>548,000,651</b>	<b>295,733,832</b>	<b>9.49%</b>	<b>305,321,820</b>	<b>3.24%</b>	<b>601,055,652</b>
<b>Total Policy Area - Transportation, Safety &amp; Development</b>		<b>7,000,000</b>		<b>7,000,000</b>		<b>-100.00%</b>			
<b>Total Policy Area - Arts, Heritage &amp; Cultural Enrichment</b>	<b>7,461,189</b>	<b>7,262,646</b>	<b>-2.66%</b>	<b>14,723,835</b>	<b>7,912,527</b>	<b>8.95%</b>	<b>8,068,411</b>	<b>1.97%</b>	<b>15,980,938</b>
<b>GRAND TOTAL GENERAL FUND EXPENDITURES</b>	<b>2,849,227,923</b>	<b>2,704,570,823</b>	<b>-5.08%</b>	<b>5,553,798,746</b>	<b>3,389,720,109</b>	<b>25.33%</b>	<b>3,463,809,330</b>	<b>2.19%</b>	<b>6,853,529,439</b>

# FY 10 – 11

## Total General Fund Appropriations

### \$5,553.8

Dollars in Millions

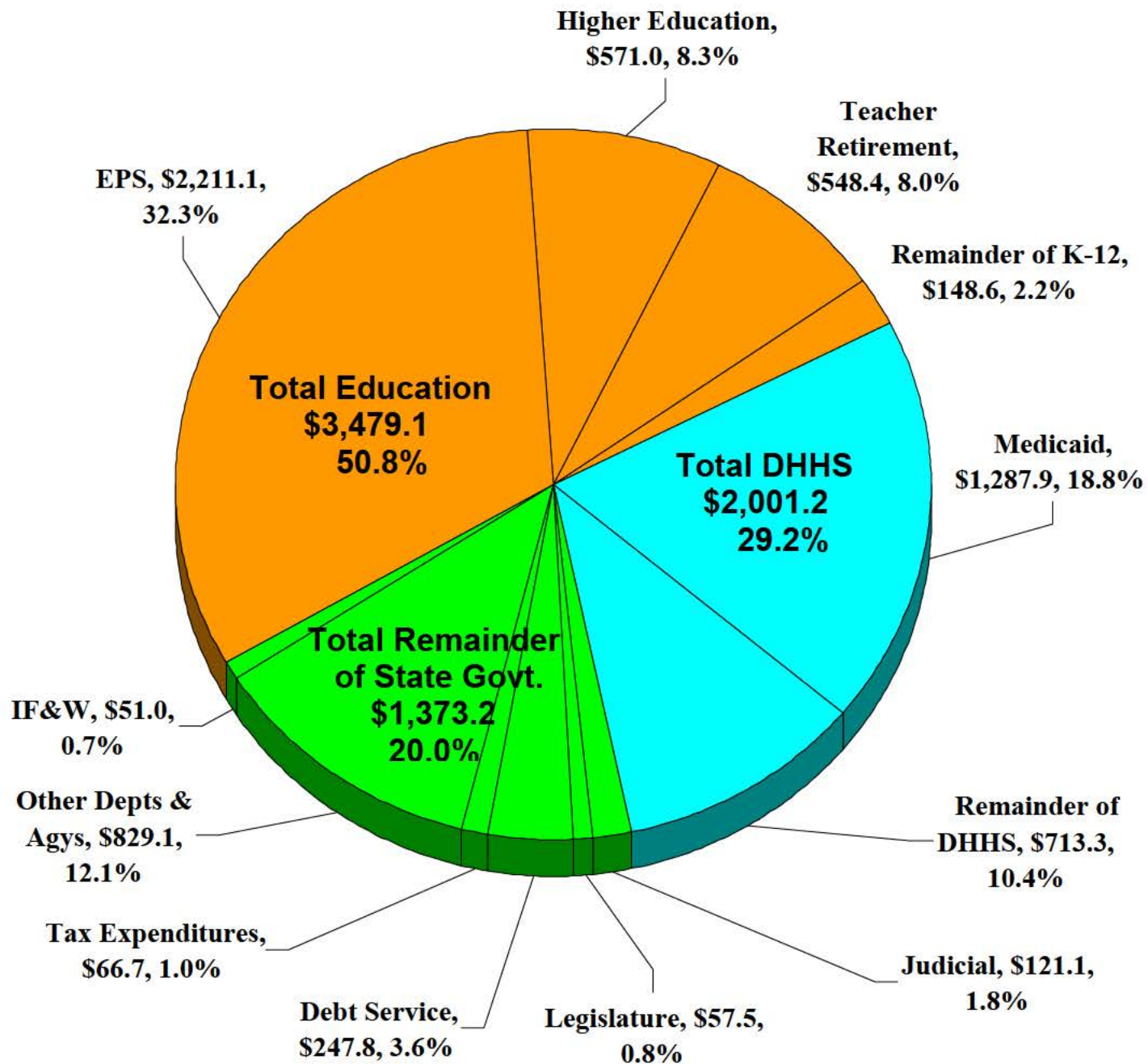


# FY 12 – 13

## General Fund Projected Appropriations

### \$6,853.5

Dollars in Millions





## **E. GENERAL FUND EXPENDITURE FORECAST NARRATIVE**

### **HOMESTEAD PROPERTY TAX EXEMPTION**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>28,469</b>	<b>16,158</b>	<b>-43.25%</b>	<b>44,627</b>	<b>23,600</b>	<b>46.06%</b>	<b>24,200</b>	<b>2.54%</b>	<b>47,800</b>

Public Law 1997, chapter 643, Part HHH established the Homestead Property Tax Exemption Program. This program establishes an exemption for all individuals who have maintained a residence for the 12 months prior to April 1st of each year. Public Law 2005 chapter 2 Part F set the exemption amount at \$13,000 of the individual's homestead valuation and decreased the percentage of the benefit to homeowners that the state is responsible for to the constitutionally required 50%. Public Law 2009, chapter 213 reduced the exemption amount from \$13,000 to \$10,000 beginning with fiscal year 2010-11. The reduction in funding from FY 2010 to FY 2011 reflects the savings from the reduction in the exemption amount to \$10,000 and from an adjustment in the reimbursement rate to 75% for FY 2011 with the 25% final payment delayed to the subsequent fiscal year. FY 2012 and FY 2013 reflect the anticipated funding level for this program.

### **GOVERNMENTAL FACILITIES AUTHORITY**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>19,345</b>	<b>19,094</b>	<b>-1.30%</b>	<b>38,439</b>	<b>19,745</b>	<b>3.41%</b>	<b>19,745</b>	<b>0.00%</b>	<b>39,490</b>

The expenditure decrease -1.3% from \$19.3 million in FY 10 to \$19.1 million in FY 11 and represents a one-time savings for debt service in fiscal year 2010-11 due to a refunding of bonds. The forecast for the FY 12-13 biennium reflects a 3.41% increase in funding over FY 11 to bring funding in line with current projected debt service requirements for this program. The Governmental Facilities Authority, created by Public Law 1997, chapter 523, administers a fund that includes principal and interest payments for loans which financed projects approved through the 123rd Legislature. These include capital repairs and improvements to state-owned facilities throughout the State as designated by the Commissioner of Administrative and Financial Services. Projects undertaken through the Governmental Facilities Authority for the Judicial Branch are included in the Judicial Department's budget as debt service payments and are not reflected in the estimates shown above.

### **DEBT SERVICE – TREASURY**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>89,739</b>	<b>93,828</b>	<b>4.56%</b>	<b>183,567</b>	<b>104,380</b>	<b>11.25%</b>	<b>103,905</b>	<b>-0.46%</b>	<b>208,285</b>

For FY 11, it is projected that \$160.2 of the authorized but currently unissued General Fund bond inventory will be issued during the June 2011 bond sale. General Fund debt service requirements were \$89.7 million in FY 10 and are projected at \$93.8 million for FY 11. General Fund debt service requirements are projected at \$104.3 million for FY12 and \$103.9 million for FY 13 based on currently authorized bonds. The debt service requirements for the FY 12-13 biennium will be higher than projected if the Legislature approves sending additional bond proposals to the voters in calendar year 2011.



## GENERAL PURPOSE AID FOR LOCAL SCHOOLS

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
909,108	878,083	-3.41%	1,787,191	1,094,601	24.66%	1,116,493	2.00%	2,211,094

The budget need for the 2012-13 biennium include increases in General Purpose Aid for Local Schools (GPA) of \$216.5 million in FY 2012 and \$238.4 million in FY 2013 over FY 11 levels. The preliminary amounts would increase GPA \$423.9 million over the previous 2010-11 biennium and achieve the commitment made in Public Law 2005 chapter 2, amended by 2007 Public Law chapters 240 and 539, for 55% state share of education costs in both FY 2010 and FY 2011.

It is important to stress that the forecast, by law, must assume a state share of GPA equal to 55% of total allowable costs. Each year, the law has been amended to delay attainment of the 55% share; it is possible that delays will continue but this cannot be reflected in the forecast.

## TEACHER RETIREMENT/RETIRED TEACHERS' HEALTH INSURANCE

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
206,576	216,529	4.82%	423,105	289,233	33.58%	303,666	4.99%	592,899

The expenditure forecast for the FY 12-13 biennium for Teacher Retirement assumes projected teacher salary and wage growth of 4.75% based upon the actuarial assumption for inflation and general salary increase. The required normal cost employer contribution for teacher retirement is based on this salary projection. The required unfunded actuarial liability (UAL) payment for the FY 12-13 biennium for teacher retirement is established by the actuarial valuation performed by MainePERS. The sum of these two employer retirement cost components forms the basis for the forecast for teacher retirement in the FY 12-13 budget.

The Retired Teachers' Health Insurance program cost is projected to increase 8% in each year of the FY 12-13 biennium based on information from the MEA Benefits Trust renewal and other trend factors. This growth reflects projected increases in premium rates and modest increases in retired teacher enrollment.

## MEDICAL CARE - PAYMENTS TO PROVIDERS

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
243,548	149,021	-38.81%	392,568	336,984	126.13%	336,796	-0.06%	673,780

Financial relief for states, provided in the American Recovery and Reinvestment Act of 2009 in the form of additional federal funding from an enhanced Federal Medical Assistance Percentage (FMAP), allowed for the reduction of General Fund appropriations in the Medical Care – Payments to Providers (Medicaid) program in the 2010-2011 biennium of over \$230 million. Savings were also achieved by measures enacted by the 124th Legislature and implemented by the Department of Health and Human Services that included strategies to identify fraud, waste and abuse; rate reductions for most MaineCare services; and increased collection efforts for 3rd-party liability recoveries. Further, General Fund savings resulted from reducing the reimbursement of critical access hospitals and amending hospital tax statutes to revise the base year upon which hospital taxes are assessed.



The program continues to rely on dedicated revenue from the hospital tax, the service provider tax on private nonmedical institutions, drug and durable medical equipment rebates and the Fund for a Healthy Maine that are in excess of \$117 million annually. Funding for the 2012-2013 biennium reflects growth of over 71% from the 2010-2011 biennium as a result of the restoration of the enhanced FMAP. Funding from FY 12 to FY 13 is expected to remain at approximately the same level.

### **NURSING FACILITIES**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>43,001</b>	<b>42,072</b>	<b>-2.16%</b>	<b>85,073</b>	<b>77,239</b>	<b>83.59%</b>	<b>78,073</b>	<b>1.08%</b>	<b>155,312</b>

The proposed spending in the Nursing Facilities program is projected to experience an increase of almost 84% in FY 12 from FY 11 levels with little additional growth in FY 13. This substantial increase results primarily from the restoration of funding reductions related to the enhanced Federal Medical Assistance Percentage (FMAP) that allowed General Fund budgets to be reduced by the value of significant federal resources authorized in the American Recover and Reinvestment Acct (ARRA). The enhanced FMAP allowed General Fund appropriations in the Nursing Facilities account to be reduced by \$29.1 million in FY 11 and \$58 million for the 2010-2011 biennium.

This account continues to rely on dedicated revenue from a tax on nursing facilities that generates approximately \$30 million annually. Funding reductions in the 2010-2011 biennium from the elimination of the staff enhancement payment were nearly offset by an increase in funding for the routine cost component. When the restoration of FMAP funding is factored in, the growth rates are below projections for nursing home care expenditures of 5% and 5.1% in 2012 and 2013, respectively, made by the federal Centers for Medicare and Medicaid Services.

### **FOSTER CARE/ADOPTION ASSISTANCE**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
<b>47,863</b>	<b>48,540</b>	<b>1.41%</b>	<b>96,403</b>	<b>51,631</b>	<b>6.37%</b>	<b>51,750</b>	<b>0.23%</b>	<b>103,381</b>

The IV-E Foster Care/Adoption Assistance and State-funded Foster Care/Adoption Assistance programs in the Department of Health and Human Services provide foster care, independent living and adoption assistance services to children in the care or custody of the Department of Health and Human Services. Payments made from the IV-E Foster Care/Adoption Assistance program support children who are eligible under Title IV-E of the federal Social Security Act; payments from the state-funded program support children not eligible under Title IV-E. Savings in these programs were achieved in the 2010-2011 biennium by streamlining and simplifying the licensing process, eliminating payments to unlicensed homes and streamlining foster family recruitment using technology. The growth in this program in FY 12 is primarily due to restoring funds that were reduced and replaced by federal funding from the enhanced Federal Medical Assistance Percentage under the ARRA, which was \$1.68 million in FY 11 and \$4.5 million over the biennium. When that restoration is factored in, this program has virtually no growth from the previous biennium.



## COMMUNITY MENTAL HEALTH

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
31,375	30,414	-3.06%	61,788	31,047	2.08%	31,295	0.80%	62,342

Funds for the Community Mental Health program are provided for services to adults who are not eligible for MaineCare or for services that are not covered by MaineCare. The 2010-2011 biennial budget reflected reduced funding for involuntary hospitalizations and for several MaineCare-like services for individuals who are not eligible for MaineCare. Program growth in the 2012-2013 biennium is projected at almost 2.1% in FY 12 and stays at approximately that level for FY 13.

## MENTAL HEALTH MEDICAID

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
26,214	24,120	-7.99%	50,334	39,020	61.77%	39,360	0.87%	78,379

This program provides services to adults with mental illness who are eligible for benefits under the MaineCare program. While baseline funding in the 2012-2013 biennium represents a significant increase from the 2010-2011 biennium, much of the increase resulted from the end of the enhanced Federal Medical Assistance Percentage provided by the ARRA which allowed the General Fund account to be reduced by just over \$12 million in FY 11 and \$22.8 million over the biennium. Subsequent adjustments occurred as a result of changes in eligibility criteria for community support services, limits on visits for outpatient services and service rate reductions. In addition, savings to the General Fund of approximately \$5.3 million each year are realized by continued reliance on dedicated revenue generated by the imposition of a service provider tax on private nonmedical institutions (PNMIs) and community support services.

## COMMUNITY DEVELOPMENTAL SERVICES

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
26,396	25,591	-3.05%	51,987	26,759	4.56%	27,330	2.13%	54,088

The Developmental Services service delivery system must provide services and support to a limited number of people with mental retardation or autism who are not eligible for MaineCare. The program also assists those in need with financial resources to pay for some services that are not covered by the MaineCare program, such as family support, housing and food. During the 2010-2011 biennium, initiatives achieved savings by reducing room and board subsidies. Program growth during the 2012-2013 biennium is projected to be approximately 4.6% in FY 12 and 2.1 % in FY 13.



## DEVELOPMENTAL SERVICES MEDICAID

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
65,559	63,231	-3.55%	128,790	102,950	62.82%	103,885	0.91%	206,834

Funding in the Developmental Services MaineCare and the Developmental Services – MaineCare Waiver programs provide services for persons with mental retardation or autistic disorder who are Medicaid eligible or Medicaid reimbursable. Services provided include residential support, day habilitation and transportation. The baseline General Fund budgets for the 2010-2011 biennium saw significant decreases compared to 2009-2010 levels, primarily due to increased federal funding from the ARRA enhanced Federal Medical Assistance Percentage. Subsequent savings initiatives adopted in the 2010-2011 biennium including reductions in most service rates were somewhat offset by funding provided to increase enrollment in community support services and for home and community benefits. In addition, dedicated revenue generated by the service provider tax provides over \$16 million annually, allowing General Fund reductions in these accounts. Funding for the programs remains relatively flat from FY 12 to FY 13.

## MENTAL HEALTH SERVICES – CHILDREN

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
16,794	17,051	1.53%	33,845	17,556	2.96%	17,706	0.86%	35,262

Funds for Children’s Mental Health Services are provided for services to children who are not eligible for MaineCare or for services that are not covered by MaineCare. The 2010-2011 biennium reflected savings from reducing funding for mediation services and one-time savings for crisis services. Funding growth in this program is expected to be 3% for FY 12 and less than 1% for FY 13.

## MENTAL HEALTH SERVICES - CHILD MEDICAID

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
18,034	15,543	-13.81%	33,577	23,364	50.32%	23,544	0.77%	46,907

General Fund support is used to provide state seed for services provided to eligible children and youth under the Child Medicaid program. For the 2012-2013 biennium, the baseline budget saw a substantial increase (40%) when compared to 2010-2011 biennium level, due almost exclusively to restoration of funding reductions from the enhanced Federal Medical Assistance Percentage provided by the ARRA. This increase was offset as a result of subsequent initiatives such as those that changed eligibility criteria and limited services for targeted case management, limited reimbursement for private nonmedical institutions through prior authorization practices and standardized rates, reduced rates for several MaineCare services and limited outpatient visits. Funding for this program rose 50% from FY 11 to FY 12, but remains essentially flat for FY 13.



### III. HIGHWAY FUND

#### **A. BUDGET STATUS FY 10-13**

<b>HIGHWAY FUND STATUS</b>						
	FY 10-11 BIENNium			FY 12-13 BIENNium		
	FY 10	FY 11	TOTAL	FY 12	FY 13	TOTAL
BALANCE	1,511,938		1,511,938	347,239		347,239
ADJUSTMENTS	11,521,870	4,119,730	15,641,600			
REVENUE	309,491,766	307,066,369	616,558,135	312,095,494	317,915,100	630,010,594
TOTAL RESOURCES	322,525,574	311,186,099	633,711,673	312,442,733	317,915,100	630,357,833
ADJUSTMENTS	5,668,895	5,764,140	11,433,035	5,300,052	5,419,451	10,719,503
ALLOCATIONS	316,706,397	305,225,002	621,931,399	478,416,153	486,258,943	964,675,096
PROJECTED BALANCE (SHORTFALL)	150,282	196,957	347,239	(171,273,472)	(173,763,294)	(345,036,766)

The Highway Fund adjusted fund balance for FY 10 was \$150,282 and is projected to be \$347,239 at the end of FY 11, including adjustments enacted through the Second Regular Session of the 124th Legislature.

The Revenue Forecasting Committee (RFC) in its December 2009 report reprojected revenues downward by (\$6.8) million for the 2012-2013 biennium. The RFC in March 2010 increased its revenue projections by \$11.6 million resulting in a net overall revenue increase of \$4.8 for the 2012-2013 biennium. The revenue projections also include revisions made in miscellaneous laws enacted through the Second Regular Session of the 124<sup>th</sup> Legislature.

Current projections for the 2012-2013 biennium include Highway Fund revenues of \$630,010,594. Projected Highway Fund allocations for the biennium are \$964,675,096 which results in a projected structural budget gap of \$345,036,766.

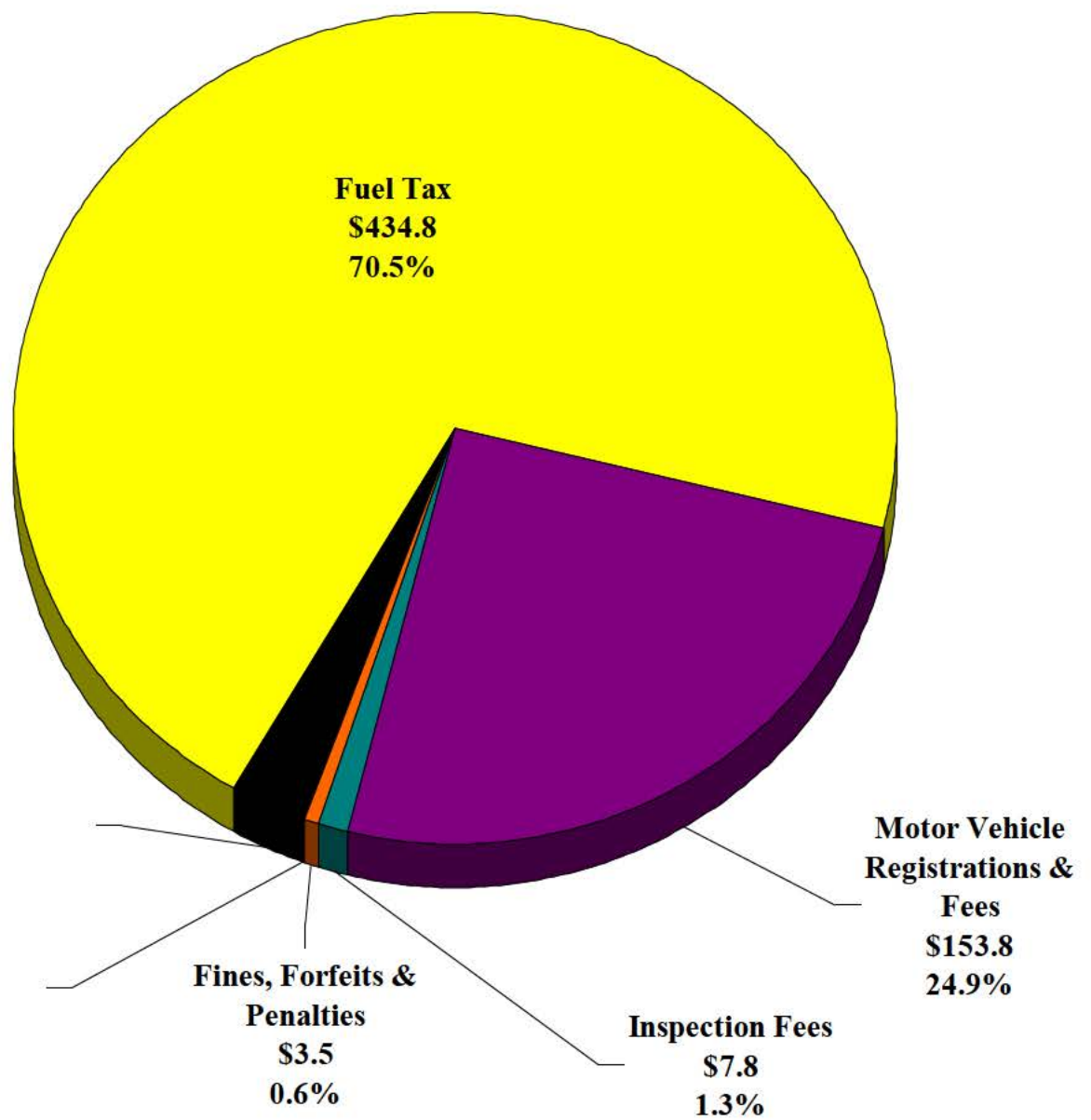
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## B. REVENUE FORECAST FY 10-13

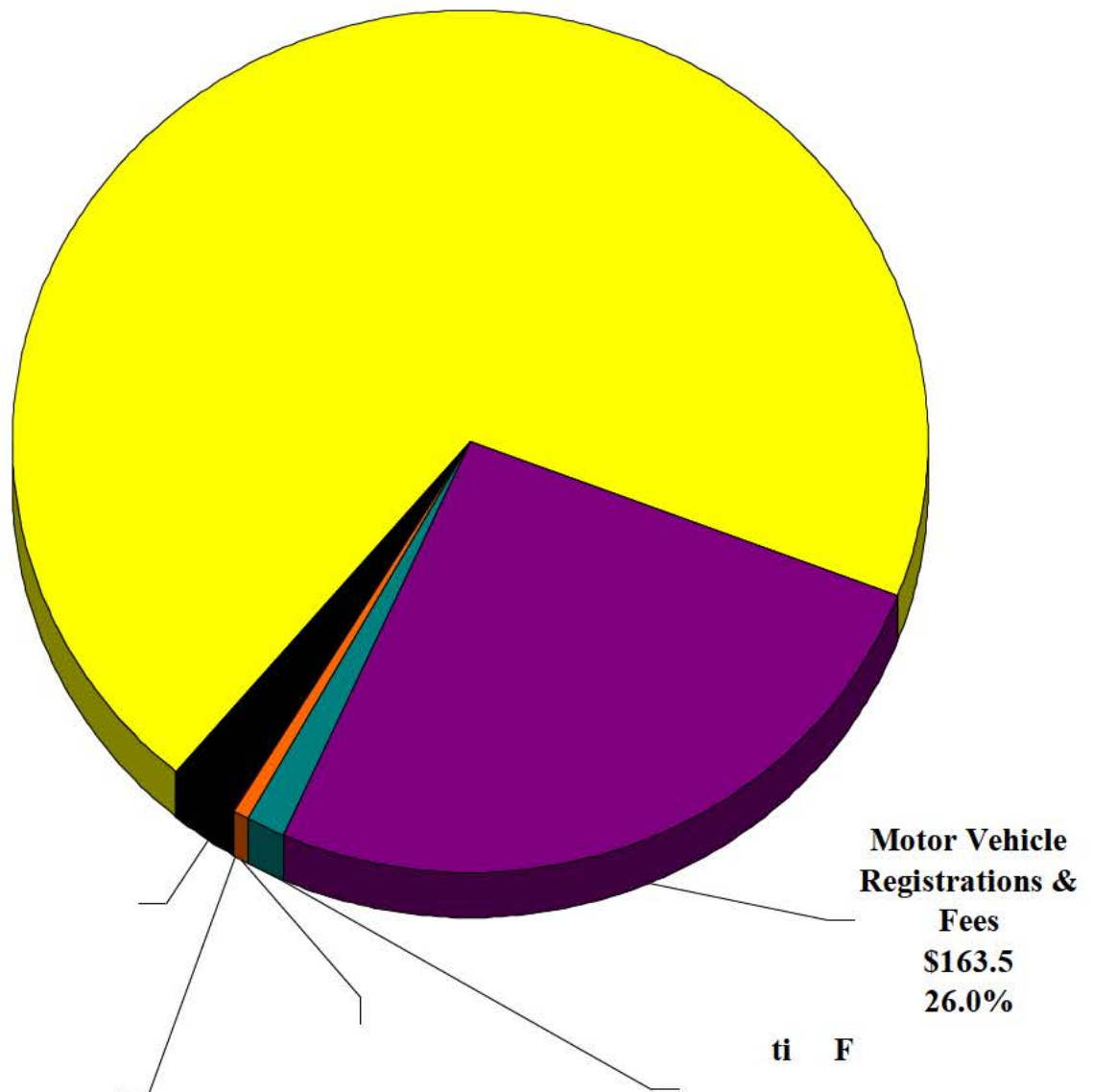
### HIGHWAY FUND REVENUE FORECAST

SOURCE	FY 10-11 BUDGET				FY 12-13 FORECAST				
	FY 10	FY 11	YR. TO YR. % CHANGE	TOTAL BIENNIUM	FY 12	YR. TO YR. % CHANGE	FY 13	YR. TO YR. % CHANGE	TOTAL BIENNIUM
Fuel Tax	220,305,526	214,525,466	-2.62%	434,830,992	216,610,867	0.97%	222,080,128	2.52%	438,690,995
Motor Vehicle Registrations & Fees	75,043,693	78,719,414	4.90%	153,763,107	81,570,726	3.62%	81,916,071	0.42%	163,486,797
Inspection Fees	3,896,915	3,897,299	0.01%	7,794,214	3,920,571	0.60%	3,920,571		7,841,142
Fines Forfeits & Penalties	1,745,049	1,745,049		3,490,098	1,745,049		1,745,049		3,490,098
Income from Investments	113,330	32,446	-71.37%	145,776	32,446		32,446		64,892
Other Revenues	8,387,253	8,146,695	-2.87%	16,533,948	8,215,835	0.85%	8,220,835	0.06%	16,436,670
<b>TOTAL REVENUE</b>	<b>309,491,766</b>	<b>307,066,369</b>	<b>-0.78%</b>	<b>616,558,135</b>	<b>312,095,494</b>	<b>1.64%</b>	<b>317,915,100</b>	<b>1.86%</b>	<b>630,010,594</b>

**FY 10 – 11**  
**Highway Fund Budgeted Revenues**  
**\$616.5**  
Dollars in Millions



**FY 12 – 13**  
**Highway Fund Projected Revenues**  
**\$630.0**  
**Dollars in Millions**





## C. HIGHWAY FUND REVENUE FORECAST NARRATIVE

### FUEL TAX

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
220,306	214,525	-2.62%	434,831	216,611	0.97%	222,080	2.52%	438,691

The forecast for the Motor Fuel Taxes was updated by the Revenue Forecasting Committee in March 2010. The forecast for the FY 12-13 biennium reflects an inflation adjustment to the tax rates that took effect on July 1, 2007. The gasoline tax rate has increased from \$0.268 per gallon on July 1, 2007 to \$0.295 per gallon on July 1, 2010. The tax on diesel fuel has increased from \$0.288 per gallon on July 1, 2007 to \$0.307 per gallon on July 1, 2010. The change in the forecast for the FY 12-13 biennium primarily reflects increased revenue associated with the indexing of motor fuel taxes in accordance with Public Law 2001, c. 688. Effective with fiscal year 2010, 7.5% of the gasoline tax and 7.5% of the special fuel tax is dedicated to the TransCap Trust Fund at the Municipal Bond Bank in accordance with Public Law 2007, c. 470.

### MOTOR VEHICLE REGISTRATIONS AND FEES

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
75,044	78,719	4.90%	153,763	81,571	3.62%	81,916	0.42%	163,487

The forecast for FY 11, FY 12 and FY 13 for Motor Vehicle Registration Fees include all actions of the Revenue Forecasting Committee through March 2010 and all actions of the 2nd Regular Session of the 124th Legislature. The projections for FY 11 reflects an increase of 4.9% over FY 10 revenues primarily associated with a \$10.00 increase in the fee, for vehicle registration, vanity registration plates and in the certificate of title, which took effect on September 1, 2008. The forecast reflects a projected increase of 3.62% for FY 12 over FY 11 with a projected increase of .042% for FY 13. Effective with FY 10 the revenue collected from the increase in fees is dedicated to the TransCap Trust Fund established by Title 30, MRSA, section 6006-G.

### INSPECTION FEES

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
3,897	3,897	0.01%	7,794	3,921	0.60%	3,921	0.00%	7,841

The forecast for Inspection Fees for FY 11 reflects a change of 0.1% over FY 10 revenues. Revenues from Inspection Fees are expected to remain flat for the 2012-2013 biennium.

## OTHER REVENUES

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
8,387	8,147	-2.87%	16,534	8,216	0.85%	8,221	0.06%	16,437

Other Revenues within the Highway Fund include miscellaneous service fees and charges, net revenue transfers and other contributions. The forecast for the FY 2012-2013 biennium reflects a less than .01% growth for this revenue category.

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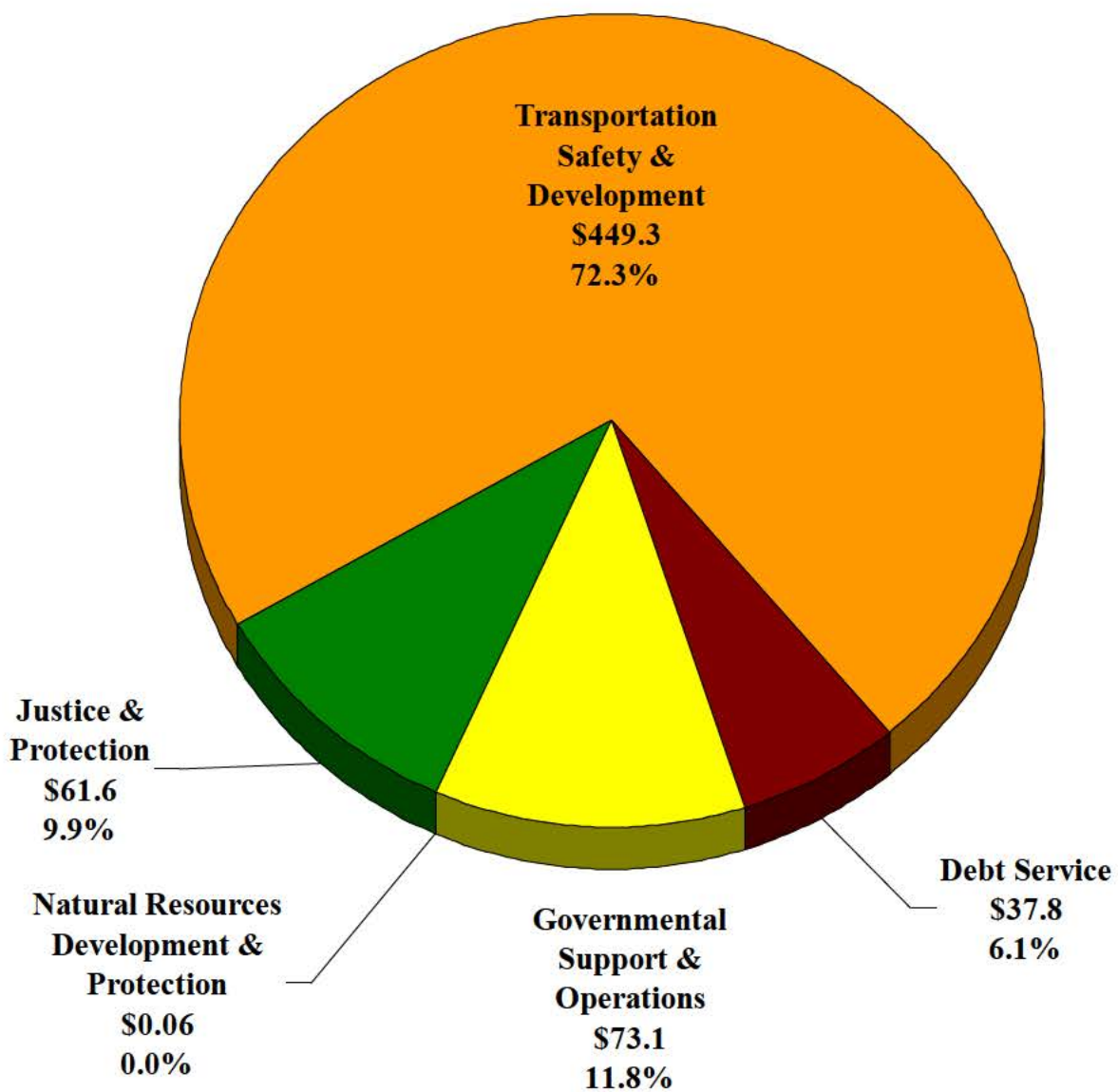


# D. EXPENDITURE FORECAST CHARTS FY 10-13

## HIGHWAY FUND EXPENDITURE FORECAST CHART

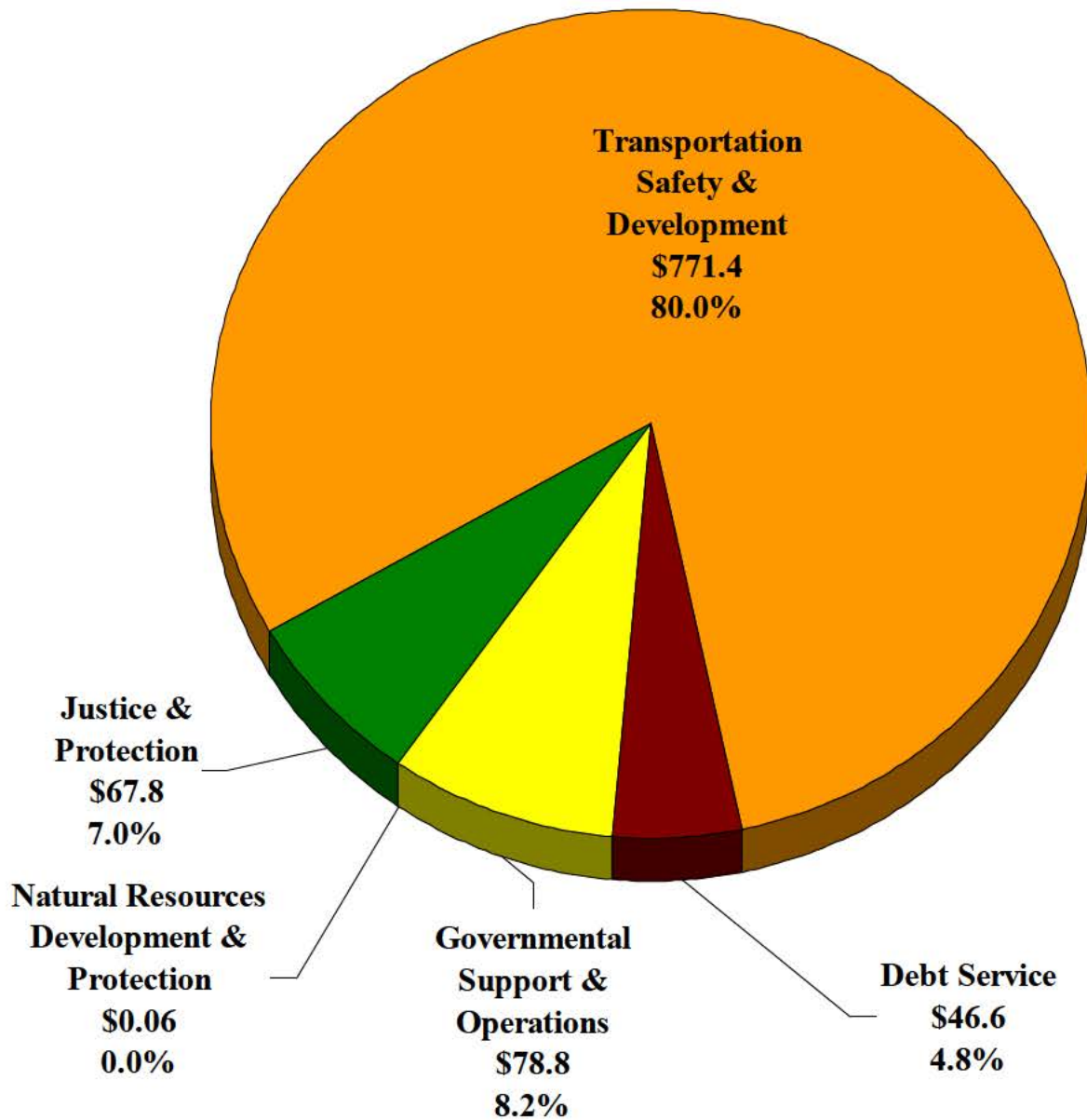
MAJOR PROGRAM CATEGORIES POLICY AREA / AGENCY / PROGRAM	FY 10-11 BUDGET				FY 12-13 FORECAST				
	FY 10	FY 11	YR. TO YR. % CHANGE	BIENNIUM TOTAL	FY 12	YR. TO YR. % CHANGE	FY 13	YR. TO YR. % CHANGE	BIENNIUM TOTAL
Capital Construction and Improvement Reserve Fund	669,497	669,497		1,338,994	676,500	1.05%		-100.00%	676,500
Other Agencies And Programs	36,078,335	35,689,050	-1.08%	71,767,385	38,530,076	7.96%	39,609,710	2.80%	78,139,786
Total Policy Area - Governmental Support & Operations	36,747,832	36,358,547	-1.06%	73,106,379	39,206,576	7.83%	39,609,710	1.03%	78,816,286
Total Policy Area - Natural Resources Development & Protection	33,054	33,054		66,108	33,054		33,054		66,108
State Police	22,520,733	21,996,893	-2.33%	44,517,626	24,430,557	11.06%	24,942,188	2.09%	49,372,745
Other Agencies And Programs	8,626,695	8,489,539	-1.59%	17,116,234	9,109,256	7.30%	9,319,667	2.31%	18,428,923
Total Policy Area - Justice & Protection	31,147,428	30,486,432	-2.12%	61,633,860	33,539,813	10.02%	34,261,855	2.15%	67,801,668
Maintenance & Operations	126,561,892	123,699,385	-2.26%	250,261,277	133,184,763	7.67%	138,574,032	4.05%	271,758,795
Highway & Bridge Capital	35,215,128	34,246,416	-2.75%	69,461,544	161,418,590	371.34%	161,915,612	0.31%	323,334,202
Highway & Bridge Light Capital	34,487,082	23,284,914	-32.48%	57,771,996	30,000,000	28.84%	30,000,000		60,000,000
Urban-Rural Initiative Program	18,059,511	18,448,355	2.15%	36,507,866	38,612,139	109.30%	39,247,728	1.65%	77,859,867
Debt Service	16,644,741	21,163,544	27.15%	37,808,285	23,457,285	10.84%	23,186,991	-1.15%	46,644,276
Other Agencies And Programs	17,809,729	17,504,355	-1.71%	35,314,084	18,963,933	8.34%	19,429,961	2.46%	38,393,894
Total Policy Area - Transportation Safety & Development	248,778,083	238,346,969	-4.19%	487,125,052	405,636,710	70.19%	412,354,324	1.66%	817,991,034
TOTAL HIGHWAY FUND EXPENDITURES	316,706,397	305,225,002	-3.63%	621,931,399	478,416,153	56.74%	486,258,943	1.64%	964,675,096

**FY 10 – 11**  
**Total Highway Fund Allocations**  
**\$621.9**  
**Dollars in Millions**





**FY 12 – 13**  
**Highway Fund Projected Allocations**  
**\$964.7**  
Dollars in Millions





## **E. HIGHWAY FUND EXPENDITURE FORECAST NARRATIVE**

### **CAPITAL CONSTRUCTION AND IMPROVEMENT RESERVE FUND**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
669	669	0.00%	1,339	677	1.05%	0	-100.00%	677

Funds in the FY 12-13 biennium are necessary for payment of debt service costs on a ten year Certificate of Participation for renovations to the Department of Transportation building in Augusta. The final debt service payment will be made in FY 12.

### **STATE POLICE**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
22,521	21,997	-2.33%	44,518	24,431	11.06%	24,942	2.09%	49,373

The Maine State Police have primary goals of 1) patrolling rural areas of Maine without organized police departments for the purpose of preventing and investigating criminal activity; 2) enforcing traffic safety laws in rural areas, Maine Turnpike and Interstate System; 3) overseeing the Motor Vehicle Inspection Program and enforcing the Commercial Motor Vehicle laws and rules; 4) investigating homicides that occur outside Portland and Bangor; 5) investigating child abuse cases; 6) providing crime laboratory services to all law enforcement agencies; 7) providing a repository for criminal history and records information; and 8) providing specialized administrative and enforcement services.

Public Law 2007, c. 682, changed the funding ratio of the State Police program from 40% General Fund and 60% Highway Fund to 51% General Fund and 49% Highway Fund for FY 10 and requires the State Budget Officer to calculate the reduction in Highway Fund allocation to the State Police program resulting from this change and notify the State Controller, who transfers that amount from the Highway Fund to the TransCap Trust Fund. For the 2012-2013 biennium, the transfer to the TransCap Trust Fund is projected to be approximately \$10.7 million.

### **MAINTENANCE & OPERATIONS**

<b>FY 10 (000)</b>	<b>FY 11 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>	<b>FY 12 (000)</b>	<b>YR % CHANGE</b>	<b>FY 13 (000)</b>	<b>YR % CHANGE</b>	<b>TOTAL BIENNIUM</b>
126,562	123,699	-2.26%	250,261	133,185	7.67%	138,574	4.05%	271,759

The Maintenance & Operations program maintains the infrastructure of 16,000 lane miles of interlocking state and state aid highways. It is responsible for winter services to the 8,600 lane miles designated as state highway and the maintenance of all appurtenances and facilities associated with and necessary for the proper and safe utilization of the system by the motoring public. This program provides for the installation, maintenance and upgrading of traffic control devices and lighting. It also maintains 2,800 bridges on public highways for public use and inspection of 3,800 bridges as required by the National Bridge Inspection Standards.



## HIGHWAY AND BRIDGE CAPITAL

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
35,215	34,246	-2.75%	69,462	161,419	371.34%	161,916	0.31%	323,334

The Highway and Bridge Capital program provides for capital improvement of the Federal-aid and State Highway network in order to maintain a safe, efficient and effective infrastructure for all users of the system. A Highway Fund bond issue of \$50 million was authorized for the FY 10-11 biennium to provide for continued support of transportation infrastructure projects. The level of FY 12 & 13 funding is based on one half the cost to meet the goals set forth in 23 MRSA §73-6. It is hoped that federal and other funding sources will increase highway capital investment to meet the remaining 50% need.

## HIGHWAY AND BRIDGE LIGHT CAPITAL

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
34,487	23,285	-32.48%	57,772	30,000	28.84%	30,000	0.00%	60,000

This program was established in fiscal year 2009-10 for capital work not generally appropriate for bonding at a level to provide approximately 600 miles of light capital (also referred to as maintenance surface treatment) per year, among other work, depending on bid prices and the severity of winter weather.

## URBAN-RURAL INITIATIVE PROGRAM

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
18,060	18,448	2.15%	36,508	38,612	109.30%	39,248	1.65%	77,860

This program provides Municipal Transportation Assistance funding targeted to the capital needs of rural roads and highways and reflective of urban maintenance responsibilities on state and state aid roads. The budget projections for the FY 12-13 biennium are a percentage of the Highway Fund budget for Maine DOT calculated in accordance with Title 23, chapter 19, §1803-B, sub-§ 1, paragraph D.

## DEBT SERVICE

FY 10 (000)	FY 11 (000)	YR % CHANGE	TOTAL BIENNIUM	FY 12 (000)	YR % CHANGE	FY 13 (000)	YR % CHANGE	TOTAL BIENNIUM
16,645	21,164	27.15%	37,808	23,457	10.84%	23,187	-1.15%	46,644

\$50 million of Highway Fund bonds were authorized in the FY 10-11 biennium in order to support highway and bridge improvements.

## **SUMMARY**

This report provides a summary and detailed projection of revenues, appropriations and allocations for the General Fund and the Highway Fund for the 2010-2011 biennium and the 2012-2013 biennium.

The forecasts of revenues, appropriations and allocations contained in this report, when constructed under current law and current trends, result in a projected structural gap in the General Fund of \$1,168,731,432 and a projected structural gap in the Highway Fund of \$345,036,766 for the 2012-2013 biennium. The base level projections for the General Fund and Highway Fund include the March 2010 projection of the Revenue Forecasting Committee and reflect all actions of the Second Regular Session of the 124<sup>th</sup> Legislature.